
Introduced by Senator Alarcon

February 18, 2000

An act to add Chapter 6 (commencing with Section 50650) to Part 2 of Division 31 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 1593, as introduced, Alarcon. Homeownership Assistance Program.

Existing law contains various programs relating to housing assistance, including the Senior Citizens' Shared Housing Program, the California Self-Help Housing Program, and specified federal programs.

This bill would establish the Homeownership Assistance Program, to be administered by the Department of Housing and Community Development, and local agencies by agreement with the department, to provide loans and grants for acquisition, construction, rehabilitation, and operation of housing and assistance to individual households, in conjunction with certain existing programs.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Chapter 6 (commencing with Section
- 2 50650) is added to Part 2 of Division 31 of the Health and
- 3 Safety Code, to read:
- 4

CHAPTER 6. HOMEOWNERSHIP ASSISTANCE PROGRAM

50650. The Legislature finds and declares as follows:

(a) An adequate supply of safe and affordable housing is the foundation for strong and sustainable communities. Owner occupied housing is a key housing resource, contributing to neighborhood stability as well as economic vitality.

(b) In California, homeownership is beyond the reach of a large segment of the population. There are also many homeowners who lack the resources to make necessary repairs to their homes, or who would welcome the opportunity to share them with suitable tenants.

(c) Reflecting California's diversity, there is a variety of proven approaches to the promotion of homeownership within the state. The purpose of the Homeownership Assistance Program established by this chapter is to support existing homeownership programs aimed at lower and very low income households and operated by private nonprofit and local government agencies, and thereby to increase homeownership, encourage neighborhood revitalization and sustainable development, and maximize use of existing homes.

50650.1. This chapter shall be known and may be cited as the Homeownership Assistance Program (HAP).

50650.2. The department shall administer this chapter.

50650.3. For purposes of this chapter, "distressed area" means a community or neighborhood, including, but not limited to, an empowerment zone (26 U.S.C. Sec. 1392), an enterprise zone (Section 7073 of the Government Code), an enterprise community (26 U.S.C. Sec. 1392), a redevelopment project area, a local agency military base recovery area (LAMBRA) (Section 7105 of the Government Code), or a qualified census tract (26 U.S.C. Sec. 42(d)(5)(C)(ii)), that suffers economic distress such as high unemployment or underemployment, low incomes, or persistent and concentrated poverty. Except as otherwise provided in this chapter, or unless the context requires otherwise, the

1 definitions contained in Chapter 2 (commencing with
2 Section 50050) shall apply to this chapter.

3 50650.4. Funds made available for the purposes of this
4 chapter shall be known as Homeownership Assistance
5 Program funds and shall be utilized for the following
6 purposes:

7 (a) Grants for technical assistance, development cost
8 write-downs, and predevelopment and land purchase
9 costs of a nonprofit corporation that is assisted through
10 the Habitat for Humanity program, administered by the
11 federal Department of Housing and Urban Development
12 or that is organized for the specific and primary purpose
13 of building and rehabilitating housing for sale at no profit
14 to low-income families, with financing in the form of a
15 zero interest rate loan.

16 (b) Construction and permanent loans to households
17 or housing being assisted through the Youthbuild
18 program administered by the Department of Housing
19 and Urban Development.

20 (c) Loans for the rehabilitation, or acquisition and
21 rehabilitation, of substandard homes in distressed areas.

22 (d) Grants for technical assistance, development cost
23 write-downs, and mortgage assistance for self-help
24 housing. These grants shall be made pursuant to the
25 California Self-Help Housing Program established
26 pursuant to Chapter 7.5 (commencing with Section
27 50690).

28 (e) Grants for the operation of shared housing
29 programs. These grants shall be made pursuant to the
30 department's existing Senior Citizens' Shared Housing
31 Program established by Chapter 3.6 (commencing with
32 Section 50533), subject to the special condition that the
33 households to be assisted need not be senior citizens.

34 (f) Grants to entities receiving funds for
35 homeownership activities under the state HOME
36 program administered by the department as authorized
37 by Chapter 16 (commencing with Section 50896). These
38 grants shall supplement state HOME awards, and shall be
39 used as loans for the same purposes as the HOME funds.

1 (g) Loans for the rehabilitation, or acquisition and
2 rehabilitation, of housing being assisted by Neighborhood
3 Housing Services or other Neighborworks programs
4 supported by the Neighborhood Reinvestment
5 Corporation (42 U.S.C. Sec. 8101 and following).

6 (h) Loans for construction, rehabilitation, or
7 acquisition and rehabilitation, of homes to be controlled
8 by residents as cooperatives or mutual housing.

9 (i) In the event of a conflict between this chapter and
10 any of the aforementioned existing department
11 programs, this chapter shall govern.

12 50650.5. (a) Loans made pursuant to subdivision (h)
13 of Section 50650.4 shall be originated and serviced by the
14 department.

15 (b) Loans made to individual households pursuant to
16 subdivisions (b), (c), (f), and (g) of Section 50650.4 shall
17 be originated by local agencies or nonprofit corporations
18 pursuant to agreements between the department and the
19 entities originating the loans. The department may use
20 up to 5 percent of the funds appropriated for the purposes
21 of this chapter to cover reasonable administrative costs
22 incurred by the entities originating the loans. These loans
23 may be serviced by either the department or the entities
24 that originated the loans. To provide an incentive for
25 quality servicing, the department may allow entities that
26 service their loans to retain a portion of loan repayments.

27 (c) Grants made pursuant to subdivisions (d) and (e)
28 of Section 50650.4 shall be originated and managed as if
29 they were being made under the existing California
30 Self-Help Housing Program and the existing Senior
31 Shared Housing Program, respectively, subject to the
32 above-specified special condition with respect to the
33 Senior Shared Housing Program. The department may
34 use up to 5 percent of the grant funds appropriated for the
35 purposes of this chapter to cover reasonable
36 administrative costs.

37 50650.6. (a) All loans made from funds allocated to
38 this chapter shall bear simple interest at the rate of 3
39 percent per year and loan repayments may be deferred

1 if required to maintain continued occupancy or
2 ownership by low-income households.

3 (b) For loans to individual households, the
4 department shall establish loan payment terms that do all
5 of the following:

6 (1) Provide a financial incentive for occupancy by the
7 assisted household for at least five years.

8 (2) Allow for assistance to low and very low income
9 households.

10 (3) Prevent assisted households from realizing
11 windfall gains.

12 (4) Result in low administrative costs.

13 (c) To achieve the objectives in subdivision (b), the
14 department may forgive all or a portion of the interest on
15 a loan.

16 50650.7. (a) The department may establish per unit
17 and per project loan limits.

18 (b) The department may establish loan-to-value
19 requirements.

20 50650.8. All awards made pursuant to this chapter
21 shall be conditioned on Homeownership Assistance
22 Program funds being matched by grantees with at least
23 equal amounts of local, federal, or private funds, other
24 cash investments, or in-kind contributions.

25 50650.9. Applications for loans shall be evaluated
26 based on threshold and competitive rating criteria.
27 Threshold criteria shall include the capacity of the
28 applicant to implement the activity being proposed.
29 Rating criteria shall include the extent to which the
30 activity provides homeownership opportunities for
31 households at the lowest income levels, consistent with
32 project economic feasibility.

33 50650.10. If an appropriation to be administered
34 pursuant to any single subdivision of Section 50650.4 is ten
35 million dollars (\$10,000,000) or less, the department may
36 administer the funds using guidelines that shall not be
37 subject to the Administrative Procedure Act (Chapter 3.5
38 (commencing with Section 11340) of Part 1 of Title 2 of
39 the Government Code). If an appropriation to be
40 administered pursuant to a single subdivision of Section

1 50650.4 exceeds that amount, the department may
2 administer the funds using guidelines for 15 months,
3 during which time those guidelines shall not be subject to
4 the Administrative Procedure Act.

O

